



AMERICANS for TAX REFORM

September 12, 2013

The Honorable Dave Camp
Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Camp:

On behalf of Americans for Tax Reform, I am pleased to support and bring to your attention H.R. 2240, the “Small Business Tax Equity Act of 2013,” sponsored by Congressman Earl Blumenauer (D-Ore.) This legislation is good tax policy and should be co-sponsored by all Members of Congress.

H.R. 2240 corrects a mistake in the tax code Congress never intended to create. In an attempt to deny tax deductions connected to the illegal drug income of street dealers, Congress accidentally imposed a gross receipts tax on legal cannabis dispensaries a generation later.

Section 280E of the tax code denies “ordinary and necessary” business expenses as a deduction against income derived from Schedule 1 substances. **Unfortunately, tax law does not make any distinction between illegal street drug sales and state-established, legal cannabis dispensaries.** These latter businesses comply fully with state law, pay all applicable taxes, and are vigorously-regulated.

There is no reason why the tax code should deny ordinary and necessary business expenses to legitimate businesses established under state law. The result is an arbitrary and punitive situation where legal employers face very high average effective tax rates that Congress never sought to impose on businesses.

The IRS has made it very clear that an act of Congress is required to fix this unintentional error. H.R. 2240 does just that by allowing legal cannabis dispensaries to deduct all ordinary and necessary business expenses.

Sincerely,

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